

## **Castings p.l.c.**

### **Interim Management Report**

Profit before tax after exceptional items for the six months ended 30<sup>th</sup> September 2010 was £5.12m compared to £1.89m for the same period last year.

Sales for the period April to September 2010 were £44.6m compared to £26.0m for the same period last year.

It is pleasing to report that sales have recovered at a rapid rate during this reporting period and we are now operating at about 90% of previous high levels.

The increases have been achieved by the recovering fortunes of the heavy vehicle production in Europe, through increased worldwide sales. We anticipate this increase will continue at a much slower rate throughout 2011. It is also pleasing to report new work has been obtained for our machining company CNC Speedwell from new and existing customers. We are seeing the benefit of our considerable capital investment in CNC now that volumes are increasing.

The new foundry at William Lee is operating on a limited basis and it is expected new business will result in increasing output in the future.

It is hoped, provided there is no reported 'double dip' in the economy, that the full year results will show a recovery towards our previous levels.

An interim dividend of 2.71 pence per share has been declared and will be paid on 7<sup>th</sup> January 2011 to shareholders who are on the register at 10<sup>th</sup> December 2010.

#### **Principal risks and uncertainties**

There are a number of potential risks and uncertainties which could have a material impact on the group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since publication of the annual report for the year ended 31<sup>st</sup> March 2010. A detailed explanation of the risks relevant to the group is on pages 8 and 9 of the annual report.

#### **Cautionary statement**

This Interim Management Report ("IMR") has been prepared solely to provide additional information to shareholders to enable them to assess the group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

This IMR contains certain forward-looking statements. These are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

The IMR has been prepared for the group as a whole and therefore gives greater emphasis to those matters which are significant to Castings plc and its subsidiary undertakings when viewed as a whole.

By order of the board:

BRIAN J. COOKE  
Chairman  
25th November 2010

Castings p.l.c.  
Lichfield Road  
Brownhills  
West Midlands  
WS8 6JZ

## Castings p.l.c.

### Consolidated Statement of Comprehensive Income

For six months ended 30<sup>th</sup> September 2010  
(Unaudited)

	Half year to 30 <sup>th</sup> September 2010 £'000	Half year to 30 <sup>th</sup> September 2009 £'000	Year to 31 <sup>st</sup> March 2010 £'000
<b>Revenue</b>	44,598	25,969	60,649
Cost of sales	<u>(34,020)</u>	<u>(19,911)</u>	<u>(45,523)</u>
<b>Gross profit</b>	10,578	6,058	15,126
Distribution costs	(673)	(326)	(769)
Administrative expenses			
Excluding exceptional items	(4,852)	(4,325)	(4,896)
Exceptional	-	435	204
Total administrative expenses	<u>(4,852)</u>	<u>(3,890)</u>	<u>(4,692)</u>
<b>Profit from operations</b>	5,053	1,842	9,665
Finance income	<u>69</u>	<u>49</u>	<u>139</u>
<b>Profit before income tax</b>	5,122	1,891	9,804
Income tax expense	<u>(1,434)</u>	<u>(529)</u>	<u>(2,166)</u>
<b>Profit for the period attributable to the equity holders of the parent company</b>	<u>3,688</u>	<u>1,362</u>	<u>7,638</u>
<b>Other comprehensive expense for the period:</b>			
Change in fair value of available for sale financial assets	(22)	66	68
Actuarial losses on defined pension schemes	-	-	(4,466)
Tax effect of gains and losses recognised directly in equity	<u>6</u>	<u>(18)</u>	<u>681</u>
<b>Total other comprehensive (expense)/income for the period (net of tax)</b>	<u>(16)</u>	<u>48</u>	<u>(3,717)</u>
<b>Total comprehensive income for the period attributable to the equity holders of the parent company</b>	<u>3,672</u>	<u>1,410</u>	<u>3,921</u>
<b>Earnings per share attributable to the equity holders of the parent company</b>			
Basic and diluted	<u>8.45p</u>	<u>3.12p</u>	<u>17.51p</u>

## Castings p.l.c.

### Consolidated Balance Sheet

30<sup>th</sup> September 2010  
(Unaudited)

	30 <sup>th</sup> September 2010 £'000	30 <sup>th</sup> September 2009 £'000	31 <sup>st</sup> March 2010 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	53,622	51,800	51,596
Financial assets	452	475	480
	<u>54,074</u>	<u>52,275</u>	<u>52,076</u>
<b>Current assets</b>			
Inventories	9,743	6,137	7,818
Trade and other receivables	20,590	14,743	19,149
Cash and cash equivalents	14,763	14,068	14,718
	<u>45,096</u>	<u>34,948</u>	<u>41,685</u>
<b>Total assets</b>	<u>99,170</u>	<u>87,223</u>	<u>93,761</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18,726	10,448	14,671
Current tax liabilities	1,384	531	568
	<u>20,110</u>	<u>10,979</u>	<u>15,239</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	5,334	4,338	5,287
	<u>5,334</u>	<u>4,338</u>	<u>5,287</u>
<b>Total liabilities</b>	<u>25,444</u>	<u>15,317</u>	<u>20,526</u>
<b>Net assets</b>	<u>73,726</u>	<u>71,906</u>	<u>73,235</u>
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	4,363	4,363	4,363
Share premium account	874	874	874
Other reserve	13	13	13
Retained earnings	68,476	66,656	67,985
<b>Total equity</b>	<u>73,726</u>	<u>71,906</u>	<u>73,235</u>

## Castings p.l.c.

### Consolidated Cash Flow Statement

For six months ended 30<sup>th</sup> September 2010  
(Unaudited)

	Half year to 30 <sup>th</sup> September 2010 £'000	Half year to 30 <sup>th</sup> September 2009 £'000	Year to 31 <sup>st</sup> March 2010 £'000
<b>Cash flows from operating activities</b>			
Profit before income tax	5,122	1,891	9,804
Adjustments for:			
Depreciation (net of profit on sale of property, plant & equipment)	2,390	2,193	4,482
Interest received	(69)	(49)	(139)
Excess of employer pension contributions over income statement charge	-	-	(4,466)
(Increase)/decrease in inventories	(1,925)	1,264	(417)
(Increase)/decrease in receivables	(1,853)	(889)	(4,884)
Increase/(decrease) in payables	4,055	(2,160)	2,063
<b>Net cash generated from operating activities</b>	<b>7,720</b>	<b>2,250</b>	<b>6,443</b>
Tax paid	(155)	(289)	(652)
Interest received	69	49	139
<b>Net cash generated from operating activities</b>	<b>7,634</b>	<b>2,010</b>	<b>5,930</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(4,428)	(585)	(2,721)
Proceeds from disposal of property, plant and equipment	2	-	51
Proceeds from disposal of financial assets	18	20	17
<b>Net cash used in investing activities</b>	<b>(4,408)</b>	<b>(565)</b>	<b>(2,653)</b>
<b>Cash flow from financing activities</b>			
Dividends paid to shareholders	(3,181)	(3,181)	(4,363)
<b>Net cash used in financing activities</b>	<b>(3,181)</b>	<b>(3,181)</b>	<b>(4,363)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>45</b>	<b>(1,736)</b>	<b>(1,086)</b>
Cash and cash equivalents at beginning of period	14,718	15,804	15,804
<b>Cash and cash equivalents at end of period</b>	<b>14,763</b>	<b>14,068</b>	<b>14,718</b>

## Castings p.l.c.

### Consolidated Statement of Changes in Equity (Unaudited)

	Equity attributable to equity holders of the parent				
	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 <sup>st</sup> April 2010	4,363	874	13	67,985	73,235
Total comprehensive income for the period ended 30 <sup>th</sup> September 2010	-	-	-	3,672	3,672
Dividends	-	-	-	(3,181)	(3,181)
At 30 <sup>th</sup> September 2010	<u>4,363</u>	<u>874</u>	<u>13</u>	<u>68,476</u>	<u>73,726</u>

	Equity attributable to equity holders of the parent				
	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 <sup>st</sup> April 2009	4,363	874	13	68,427	73,677
Total comprehensive expense for the period ended 30 <sup>th</sup> September 2009	-	-	-	1,410	1,410
Dividends	-	-	-	(3,181)	(3,181)
At 30 <sup>th</sup> September 2009	<u>4,363</u>	<u>874</u>	<u>13</u>	<u>66,656</u>	<u>71,906</u>

	Equity attributable to equity holders of the parent				
	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 <sup>st</sup> April 2009	4,363	874	13	68,427	73,677
Total comprehensive income for the year ended 31 <sup>st</sup> March 2010	-	-	-	3,921	3,921
Dividends	-	-	-	(4,363)	(4,363)
At 31 <sup>st</sup> March 2010	<u>4,363</u>	<u>874</u>	<u>13</u>	<u>67,985</u>	<u>73,235</u>

## **Castings p.l.c.**

### **Notes**

#### **1. GENERAL INFORMATION**

Castings plc (the "Company") is a company domiciled in England. The condensed consolidated interim financial statements of the Company for the six months ended 30<sup>th</sup> September 2010 comprise the Company and its subsidiaries (together referred to as the "group").

The principal activities of the group are the manufacture of iron castings and machining operations.

The financial information for the year ended 31<sup>st</sup> March 2010 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2010 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2010 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498 (2) or (3) of the Companies Act 2006.

This report has not been audited and has not been reviewed by independent auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

#### **2. ACCOUNTING POLICIES**

The annual financial statements of Castings plc are prepared using the recognition and measurement principles of IFRSs as endorsed by the European Union. The condensed set of financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

##### *Basis of preparation*

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed financial statements.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the group's latest annual audited financial statements.

#### **3. SEASONALITY OF OPERATIONS**

The directors do not consider there to be any significant seasonality or cyclicity to the results of the group.

## Castings p.l.c.

### 4. SEGMENT INFORMATION

For internal decision making purposes, the group is organised into three operating companies which are considered to be the operating segments of the group. Castings plc and William Lee Limited are aggregated into Foundry Operations and CNC Speedwell Limited is the Machining Operation.

The following shows the revenues, results and total assets by reportable segment for the half year to 30<sup>th</sup> September 2010.

	<b>Foundry operations £'000</b>	<b>Machining £'000</b>	<b>Elimination £'000</b>	<b>Total £'000</b>
Revenue from external customers	40,463	4,135	-	44,598
Inter-segmental revenue	5,295	4,442	-	9,737
Segmental result	3,503	1,550	-	5,053
Unallocated costs:				
Finance income				69
Profit before income tax				5,122
Total assets	96,037	20,710	(17,577)	99,170
Non-current asset additions	909	3,519	-	4,428
Depreciation	1,180	1,120	-	2,390

The following shows the revenues, results and total assets by reportable segment for the half year to 30<sup>th</sup> September 2009.

	<b>Foundry operations £'000</b>	<b>Machining £'000</b>	<b>Elimination £'000</b>	<b>Total £'000</b>
Revenue from external customers	25,243	726	-	25,969
Inter-segmental revenue	1,623	2,151	-	3,774
Segmental result	1,962	(555)	-	1,407
Unallocated costs:				
Exceptional credit for over-accrual of redundancy payments				435
Finance income				49
Profit before income tax				1,891
Total assets	89,548	15,007	(17,332)	87,223
Non-current asset additions	281	304		585
Depreciation	1,166	1,027		2,193

Segmental information relating to the year ended 31<sup>st</sup> March 2010 is disclosed in the Annual Report.

## Castings p.l.c.

### 5. DIVIDENDS

Amounts recognised as distributions to shareholders in the period:

	Half year to 30 <sup>th</sup> September 2010 £'000	Half year to 30 <sup>th</sup> September 2009 £'000
Final dividend of 7.29p for the year ended 31 <sup>st</sup> March 2010 (2009: 7.29p) per share	<u>3,181</u>	<u>3,181</u>

The directors have declared an interim dividend in respect of the financial year ending 31<sup>st</sup> March 2011 of 2.71 pence per share (2010: 2.71p), which will be paid on 7<sup>th</sup> January 2011.

### 6. EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. There are no share options or other potentially issuable shares; hence the diluted earnings per share is the same calculation.

	Half year to 30 <sup>th</sup> September 2010 £'000	Half year to 30 <sup>th</sup> September 2009 £'000	Year to 31 <sup>st</sup> March 2010 £'000
<b>Profit after tax</b>	<u>3,688</u>	<u>1,362</u>	<u>7,368</u>
<b>Weighted average number of shares</b>	<u>43,632,068</u>	<u>43,632,068</u>	<u>43,632,068</u>
<b>Earnings per share – basic and diluted</b>	<u>8.45p</u>	<u>3.12p</u>	<u>17.51p</u>

### Statement of Directors' Responsibilities

The directors confirm that the condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Castings plc are listed on the following page.

By order of the Board

S J Mant FCA  
Group Finance Director  
25<sup>th</sup> November 2010